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RUEHAS/AMEMBASSY ALGIERS PRIORITY 7561
RUEHEG/AMEMBASSY CAIRO PRIORITY 1512
RUEHLO/AMEMBASSY LONDON PRIORITY 1381
RUEHNC/AMEMBASSY NOUAKCHOTT PRIORITY 0919
RUEHFR/AMEMBASSY PARIS PRIORITY 1850
RUEHRB/AMEMBASSY RABAT PRIORITY 8453
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0152
RUEHCL/AMCONSUL CASABLANCA PRIORITY 4147
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 TUNIS 001488

SIPDIS

SIPDIS

STATE FOR EEB/ESC/IEC/EPC (GLENN GRIFFIN) AND
NEA/MAG (HARRIS)
STATE PASS USTR (BURKHEAD)
USDOC FOR ITA/MAC/ONE (NATHAN MASON) AND ADVOCACY CTR
(JAMES)
CASABLANCA FOR FCS (ORTIZ)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: DECL: 11/15/2017
TAGS: [EPET](#) [ENRG](#) [EINV](#) [PGOV](#) [TS](#)
SUBJECT: RESOURCE NATIONALISM IN TUNISIA

REF: A. STATE 150999
[1](#)B. TUNIS 791
[1](#)C. TUNIS 453
[1](#)D. 06 TUNIS 2689

Classified By: Ambassador Robert F. Godec for reasons 1.4 (b) and (d).

Summary

[1](#)1. (C) Although the Government of Tunisia retains strong control over natural resources, the energy sector remains one of the largest sources of foreign investment in the country and the GOT actively encourages foreign investment in the sector. In 2006, foreign direct investment (FDI) in the energy sector reached 940 million dinars (US \$770 million), a sum representing approximately 65 percent of Tunisia's total FDI. In general, written contracts and agreements are honored by the GOT and there is no history of rules changing to the detriment of foreign investors. End Summary.

Oil and Natural Gas

[1](#)2. (C) The GOT actively encourages foreign investment in the energy sector, particularly in oil and natural gas exploration. In 2006, FDI in the energy sector, largely in oil and natural gas exploration, reached 940 million dinars (US \$770 million). British Gas remains Tunisia's largest foreign investor, but American firms such as Pioneer Natural Resources and ExxonMobil have also invested in Tunisia. Oil and natural gas exploration are controlled by state-owned Tunisian National Oil Company (ETAP). ETAP grants permits for exploration and reserves the right to participate at up to 50 percent of a project's capital.

[1](#)3. (C) Domestic oil and gas distribution are under monopoly control of the government. The GOT maintains a monopoly on oil refining through state-owned Tunisian Refining Company.

Currently, there is only one refinery in Tunisia, located near Bizerte. There are plans to build a second refinery in Skhira with Qatar Petroleum, which was awarded the tender for the project (Ref B). Domestic oil distribution is controlled by state-owned National Distribution and Marketing Company and domestic natural gas distribution is fully controlled by state-owned Tunisian Company for Electricity and Gas (STEG). The GOT maintains fixed prices and also subsidizes petroleum-related products for Tunisian consumers.

Electricity

14. (C) Despite strong foreign participation in oil and natural gas exploration, there has been little foreign investment in electricity. STEG maintains authority over electricity projects and has a monopoly on domestic distribution. There are several co-generation projects with foreign investors, but distribution is still through STEG. The GOT maintains an indirect subsidy on electricity, by subsidizing inputs and maintaining a fixed price. In a meeting with the Ambassador, Minister of Industry and Energy Afif Chelbi stated unequivocally that the GOT is not interested in private wind energy generation because the cost would be prohibitive (Ref C). Chelbi stated that although the GOT would be privatizing most state-owned companies, energy provision would remain public.

The Outlier: Enerciel

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15. (C) The US company UPC Wind Partners and its Tunisian subsidiary Enerciel have been engaged in a protracted dispute with STEG over UPC-Enerciel's investments in wind energy (Ref D). While the Embassy continues to monitor this case and has intervened on behalf of Enerciel with the GOT, Enerciel has not been able to fully substantiate its claims with documentation. We do not believe this case is representative of the type of resource nationalism outlined in Ref A.
GODEC